

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 236 - SB 247

March 24, 2021

SUMMARY OF ORIGINAL BILL: Authorizes contracting entities to charge an additional \$1.00 fee per driver license issued, if the Department of Safety (DOS) is notified. Requires DOS to distribute to contracting entities \$3.00 per each REAL ID compliant driver license issued to be used by the entity for administrative costs from July 1, 2021 to June 30, 2022.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$365,100/FY21-22/Driver Services

Increase Local Revenue - \$479,300/FY21-22

\$214,700/FY21-22 and Subsequent Years/Permissive

SUMMARY OF AMENDMENT (004649): Adds language to specify that DOS is required to use federal CARES Act funds available to DOS as a source of payment, to the extent permissible under federal law and state appropriations.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures - \$365,100/FY21-22/Driver Services

Increase Local Revenue - \$479,300/FY21-22

\$214,700/FY21-22 and Subsequent Years/Permissive

Other Fiscal Impact – The state received approximately \$2,360,000,000 through the Coronavirus Relief Fund created by the CARES Act. The Department of Safety did not receive any such funds directly. The state's reported balance ending January 31, 2021 was \$220,040,100. The extent to which such funding will be available for transfer to DOS and allowable to fund this Act is unknown.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 55-50-331(a), DOS is authorized to contract for the provision of any service related to the issuance, examination and renewal of driver licenses subject to applicable contracting statutes and regulations.
- Currently, these contracting entities consist of forty-five county clerk offices, three cities or towns, and one AAA Auto Club.
- In 2018, DOS contracted entities processed 16.52 percent (or 219,176) of the eligible transactions of driver license duplicates and renewals.
- It is expected that figure will remain relatively consistent.
- Assuming all contracting entities process an equal total of licenses, each entity issues 4,473 licenses (219,176 licenses / 49 contracting entities) each fiscal year.
- All but one contracting entity is local government.
- It is assumed that all contracting entities will choose to charge the additional \$1.00 fee.
- The recurring permissive increase in local revenue in FY21-22 and subsequent years is \$214,704 [(\$1 x 4,473) x 48].
- In FY19-20, contracting entities processed 91,286 REAL ID licenses. Due to COVID-19 closures, this figure represents approximately 75 percent of expected processes in a full year, or 121,715 (91,286 / 75%).
- The one-time increase in state expenditures to Driver Services in FY21-22 is estimated to be \$365,145 (121,715 x \$3). There will also be a corresponding increase in local revenue of the same amount in FY21-22.
- Pursuant to the language of the legislation, as amended, to the extent permissible under federal law and subject to appropriations in the general appropriations act, DOS is required to use funds available to the Department from the federal CARES Act as the source of funds for the license reimbursement.
- According to information provided by DOS, they have not received any CARES Act funding directly.
- The state received an initial amount of \$2,360,000,000 through the Coronavirus Relief Fund created by the CARES Act; as reported by the Financial Stimulus Accountability Group on February 2nd, there is a remaining unobligated balance of \$220,040,100 if all programs fully expend allocated funds. The extent to which such funding will be available for transfer to DOS and allowable to fund this Act is unknown.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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